

**RURAL WATER DISTRICT NO. 5,
DOUGLAS COUNTY
Lawrence, Kansas**

**REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2012
And**

INDEPENDENT AUDITOR'S REPORT

...KL...

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RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY
Lawrence, Kansas

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Rural Water District No. 5, Douglas County
Lawrence, Kansas 66047

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District No. 5, Douglas County ("Municipality") as of and for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Rural Water District No. 5, Douglas County to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rural Water District No. 5, Douglas County as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

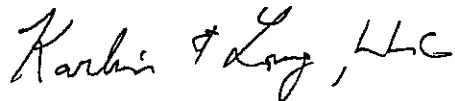
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Rural Water District No. 5, Douglas County (“Municipality”) as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

other records used to prepare the 2012 basic financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statement or to the 2012 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Karlin & Long, LLC". The script is cursive and fluid, with the letters "K", "L", and "C" being particularly prominent.

Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
February 15, 2013

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY
REGULATORY BASIS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Proprietary Type Funds							
Water Utility	\$ 1,056,851	\$	\$ 1,208,218	\$ 1,340,879	\$ 924,190	\$	\$ 924,190
Total Reporting Entity	\$ 1,056,851	\$ 0	\$ 1,208,218	\$ 1,340,879	\$ 924,190	\$ 0	\$ 924,190
Composition of Cash							
				Checking Accounts	\$		\$ 85,995
				Savings Accounts			62,360
				Petty Cash			
				Certificates of Deposit			775,835
				Total Reporting Entity	\$		\$ 924,190

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

Rural Water District No. 5, Douglas County (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District is accounted for as an enterprise fund using the cash basis and budget laws of the State of Kansas. The District's purpose is to acquire water and water rights, to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to owners and occupants of land located within the District.

Regulatory Basis Fund Types

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt. Accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The district has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the district to use the regulatory basis of accounting.

Use of Estimates

The preparation of financial statements in compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the summary of cash balances, cash and cash equivalent are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

Accounts Receivable

The District reads the meters and mails the bills between the 25th and the end of the month. Payments are considered delinquent if not paid by the 16th and are subject to a late charge of 10%.

Inventory

Inventory consists primarily of meters, pipe, and line maintenance material. Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

Property and Equipment

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense totaled \$ 189,141 for the year ended December 31, 2011.

Loan Costs

Loan costs are costs in connection with obtaining a loan from the Kansas Public Water Supply Loan Fund. These costs include the loan origination fee and the financial integrity assurance contract fee. The costs are being amortized over the life of the loan using a straight-line method.

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$ 6,800 and are added directly to equity rather than recognizing these sums as revenues.

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level. The Organization's payroll tax returns for the years ending 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

In a 1992 published Internal Revenue Service opinion, it was determined that Kansas rural water districts do not qualify as political subdivisions for the purposes of the exemption from payment of FUTA. No claim has been asserted against the District for this tax, nor is the amount of any such claim determinable at this time. Kansas law has been changed, effective March 20, 1992, the result of which causes rural water districts to again qualify as a political subdivision for the purpose of the exemption for payment of FUTA. We are unable to determine at this time whether or not a claim will ultimately be asserted against the District, the likelihood that it would ultimately be held liable for that claim, or the ultimate amount of that claim, if assessed. Consequently, no additional liabilities relating to a possible claim have been recognized.

NOTE 2 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes for the period under audit. The amount of expenditures for the water district can exceed the budgeted amount since the board approves all expenses and the district is not subject to the budgetary requirements of K.S.A. 79-2925.

NOTE 3 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices.

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (continued)

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the District's carrying amount of deposits, including certificates of deposit, was \$ 924,190 and the bank balance was \$ 951,219, of which \$951,219 was covered by FDIC insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4 – Water Contracts

In June 1974, the District entered into a 40-year contract with an addendum added in May 1975, for treatment of water from the City of Lawrence, Kansas. New contracts were entered into in December 1998 and October 2008.

In 1977, the District entered into a 40-year contract with the State of Kansas, represented by the Kansas Water Resources Board, which allows the District to withdraw 48 million gallons of water from Clinton Lake. The Kansas Water Resources Board has the right to review the contract and determine a new rate every ten years. In 1995, the District entered into an additional 40-year contract with the State of Kansas, Represented by the Kansas Water Resources Board, which allows the District to withdraw 135 million gallons of water from Clinton Lake.

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Water Contracts (continued)

In 1991, the District entered into a 20-year contract with Rural Water District No. 3, Douglas County, Kansas (RWD #3) to purchase water from the Tri-District water treatment facility. The District is to pay \$ 155,000, of which \$ 15,000 was paid in both 1991 and 1993 when the pump station began operation. The remaining balance of \$ 125,000 is being paid in 240 monthly installments. The District is required to purchase at least 900,000 gallons of water per month at a price determined annually by the actual operating cost of the treatment facility plus 15%.

NOTE 5 – Defined Benefit Pension Plan

Plan Description – The City of Lecompton, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

The State of Kansas is required to contribute the statutory required employers share.

NOTE 6 – Claims and Judgments

The District participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations,

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Claims and Judgments (continued)

the District may be required to reimburse the grantor government. As of January 25, 2013, grant expenditures have not been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The District has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2011 to 2012 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the District is a party to various claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material financial impact on the District.

NOTE 7 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Compensated Absences

The District pays vacation time up to 10 days a year for employees who have worked less than 10 years. For employees who have worked more than 10 years but less than 20 years, the District will pay for three weeks of vacation. For employees who have worked more than 20 years, the District will pay for four weeks of vacation. The district allows full time employees sick leave at the rate of eight hours per month with an accumulation to a maximum of 720 hours. Upon separation from the district the

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Long Term Obligations from Operations (continued)

Compensated Absences

employee shall be compensated at their regular rate of pay for 25% of unused accumulated sick leave. No accrued vacation or sick leave is included in these financial statements due to the immateriality of the amount.

NOTE 8 – Concentration of Suppliers

The District acquires 100% of its water supply from the State of Kansas. The City of Lawrence and Tri-District plant treat, processes and transports water to Rural Water District #5. There are no other suppliers of water available for the District.

NOTE 9 – Compliance With Other Finance-Related Legal and Contractual Provisions

The District is required to maintain a loan reserve amount equal to 10% of the original revenue bond issuance.

The following represents a recap of the debt reserve requirements:

Certificate of Deposit	<u>\$ 65,000</u>
------------------------	------------------

NOTE 10 – Debt Reserve Fund

In 2001, the District received a loan from the Kansas Public Water Supply Loan Fund (KPWSLF) up to \$ 1,556,629 (\$ -0- outstanding at December 31, 2012) bearing interest at 4.37%. Revenues of the District have been pledged as security. As part of the loan, the District is required to maintain a debt service coverage ratio of 1.25 and establish a loan reserve account in the amount of 10% of the unpaid principal. The District's debt service coverage ratio for 2012 as calculated by the financial worksheet is 1.57 and is shown as follows:

Revenue over (under) expenditures	\$ 133,522
Interest expense	<u>28,324</u>
Net Revenue available for Debt Service	161,846
Debt service	<u>102,851</u>
Debt service coverage ratio	<u><u>1.57</u></u>

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – Prior Period Adjustment

During 2011, the District adopted KPERS as the District's retirement plan for all eligible current and future employees starting January 1, 2012. The Unfunded Actuarial Liability for the District as of January 1, 2013 is \$ 376,429. The District elected to make payments to the KPERS system for 10 years of \$ 51,944 per year on January 1 to cover the retirement funding of current and future employees. The estimated annual interest rate is 8%. The amount of \$376,429 has been recorded as a reduction in the beginning unrestricted net assets for these financial statements.

NOTE 12 – Subsequent Events Review

Subsequent events for management's review have been evaluated through February 15, 2013. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 13 – Long Term Debt

The following are schedules of the long term debt and current maturities of debt of the District.

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY
Statement of Changes in Long-Term Debt
For the year ended December 31, 2012

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bonds	0.75%-2.40%	7/30/2012	\$ 650,000	8/1/2022	\$ 0	\$ 650,000	\$ 0	\$ 650,000	\$ 650,000	\$ -
Loans:										
Berkadia Mortgage	5.00%	4/1/77	920,000	4/30/17	191,852	0	191,852	(191,852)	0	4,623
Kansas Public Water Supply Loan	4.02%	2/1/03	1,158,095	8/1/22	539,404		539,404	(539,404)	0	10,842
RWD #3 Construction Loan	7.00%	11/20/92	127,000	11/20/12	12,978		12,978	(12,978)	0	477
Kansas Public Employees Retirement	8.00%	1/1/12	376,429	1/1/22	0	376,429	0	376,429	376,429	1,310
Total Long Term Debt					<u>\$ 744,234</u>	<u>\$ 1,026,429</u>	<u>\$ 744,234</u>	<u>\$ 282,195</u>	<u>\$ 1,026,429</u>	<u>\$ 17,252</u>
	2013	2014	2015	2016	2017	2018-2022	Total			
Principal	\$	\$	\$	\$	\$	\$	\$			
General Obligation Bonds							0			
Special Assessment Bonds							0			
Certificates of Participation							0			
Capital Leases							0			
Revenue Bonds		105,000	105,000	80,000	55,000	305,000	650,000			
No-Fund Warrants							0			
Temporary Notes	25,985	28,063	30,309	32,733	35,352	223,987	376,429			
Total Principal	<u>25,985</u>	<u>133,063</u>	<u>135,309</u>	<u>112,733</u>	<u>90,352</u>	<u>528,987</u>	<u>1,026,429</u>			
Interest										
General Obligation Bonds							0			
Special Assessment Bonds							0			
Certificates of Participation							0			
Capital Leases							0			
Revenue Bonds	10,542	10,355	9,445	8,406	7,318	19,706	65,772			
No-Fund Warrants							0			
Temporary Notes	25,959	23,881	21,635	19,211	16,592	35,733	143,011			
Total Interest	<u>36,501</u>	<u>34,236</u>	<u>31,080</u>	<u>27,617</u>	<u>23,910</u>	<u>55,439</u>	<u>208,783</u>			
Total Principal and Interest	<u>\$ 62,486</u>	<u>\$ 167,299</u>	<u>\$ 166,389</u>	<u>\$ 140,350</u>	<u>\$ 114,262</u>	<u>\$ 584,426</u>	<u>\$ 1,235,212</u>			

Rural Water District No. 5, Douglas County

Regulatory-Required

Supplementary Information

For the year ended December 31, 2012

RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY

Summary of Expenditures - Actual and Budget

For the year ended December 31, 2012

Funds	Certified Budget	Adjustments for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
		Qualifying Budget Credits				
Proprietary Water Utility	\$ 918,202	\$ 0	\$ 0	\$ 918,202	\$ 1,340,879	\$ (422,677)

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY
REGULATORY BASIS
WATER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the year ended December 31, 2012

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Water sales	\$ 985,111	\$ 914,697	\$ 70,414
Reimbursements	74,985		74,985
Capital contributions	54,400	30,000	24,400
Interest income	8,010	7,500	510
Miscellaneous	85,712		85,712
Operating transfers			0
Total Cash Receipts	<u>1,208,218</u>	<u>952,197</u>	<u>256,021</u>
EXPENDITURES			
Water purchased	360,389	339,607	(20,782)
Wages	278,726	253,700	(25,026)
Payroll taxes	21,323	19,408	(1,915)
Other taxes and fees	11,083		(11,083)
Water fees	5,213	4,619	(594)
Contract services	6,250		(6,250)
Health insurance and KPERs	52,794	49,759	(3,035)
Insurance	15,138	15,000	(138)
Supplies	4,426	14,500	10,074
Utilities	16,854	29,300	12,446
Telephone, Internet and radio	7,400		(7,400)
Office supplies and postage	17,485	11,500	(5,985)
Vehicle expense	37,637	37,500	(137)
Professional fees	8,191	6,200	(1,991)
Plant and equipment purchases	344,928	0	(344,928)
Inventory purchases	16,866		(16,866)
Repairs and maintenance	25,457	24,000	(1,457)
Engineering	3,011	3,000	(11)
Training and conferences	2,422	1,750	(672)
Dues	1,150	908	(242)
Miscellaneous	1,250	4,600	3,350
Debt service	102,886	102,851	(35)
Operating transfers			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,340,879</u>	<u>\$ 918,202</u>	<u>\$ (422,677)</u>
Receipts Over (Under) Expenditures	(132,661)		
Unencumbered Cash, Beginning	1,056,851		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 924,190</u>		

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY**BALANCE SHEETS**

As of December 31, 2012 and 2011

	ASSETS	
	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 148,355	\$ 178,576
Certificates of deposit	710,835	878,275
Account receivable	82,471	73,536
Inventory	32,970	30,931
Prepaid insurance	13,645	12,821
Prepaid water	<u>22,425</u>	<u>22,408</u>
Total current assets	1,010,701	1,196,547
Property, plant, and equipment, net	4,160,382	4,016,330
Other Assets		
Water purchase contract	155,000	155,000
Accumulated amortization	(148,103)	(140,602)
Debt reserve	65,000	128,155
Loan costs	14,476	14,476
Amortization of loan costs	<u>(7,240)</u>	<u>(6,516)</u>
Total Assets	\$ <u>5,250,216</u>	\$ <u>5,363,390</u>
LIABILITIES AND DISTRICT EQUITY		
Current Liabilities		
Current maturity of long term debt	\$ 25,985	\$ 97,437
Accrued payroll	24,649	20,475
Water protection fee payable	1,176	1,362
Interest payable	<u>4,393</u>	<u>9,035</u>
Total current liabilities	56,203	128,309
Long Term Debt	1,026,429	1,120,663
Current maturity of long term debt	<u>(25,985)</u>	<u>(97,437)</u>
Total liabilities	1,056,647	1,151,535
District Equity	<u>4,193,569</u>	<u>4,211,855</u>
Total liabilities and member's equity	\$ <u>5,250,216</u>	\$ <u>5,363,390</u>

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY

STATEMENTS OF OPERATIONS

For the periods ended December 31, 2012 and 2011

	2012	2011
Revenues		
Water sales	\$ 883,757	\$ 866,624
Reimbursements	74,985	35,287
Miscellaneous	85,712	29,512
Operating transfers		
Total revenues	<u>1,044,454</u>	<u>931,423</u>
Expenses		
Water purchased	360,389	341,330
Wages	282,900	247,534
Payroll taxes	21,323	19,020
Other taxes and fees	11,083	1,564
Water fees	5,213	4,164
Contract labor	6,250	0
Health insurance and KPERS	52,794	31,975
Insurance	15,169	15,742
Supplies	4,426	5,943
Utilities and radio	16,854	15,782
Telephone, Internet, radio	7,400	9,457
Office supplies and postage	17,485	17,813
Vehicle expense	37,637	44,390
Professional fees	8,191	5,995
Public Wholesale		61,000
Depreciation	200,876	189,141
Amortization	8,225	8,225
Inventory purchases	18,905	11,704
Repairs and maintenance	25,457	13,569
Engineering	3,011	1,991
Training and conferences	2,422	1,163
Dues	1,150	908
Miscellaneous	<u>1,250</u>	<u>1,176</u>
Total expenditures	<u>1,108,410</u>	<u>1,049,586</u>
Income from operations	(63,956)	(118,163)
Other income (expense)		
Interest income	8,010	14,561
Interest expense	(28,360)	(36,347)
Late charges	<u>11,620</u>	<u>10,777</u>
Total other income (expense)	<u>(8,730)</u>	<u>(11,009)</u>
Net income (loss)	(72,686)	(129,172)
District Equity - Beginning of Year	4,211,855	4,313,827
Benefit units sold	<u>54,400</u>	<u>27,200</u>
District Equity - End of Year	<u>\$ 4,193,569</u>	<u>\$ 4,211,855</u>

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY

SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS

As of December 31, 2012

Property Covered	Coverage	Expires
Commercial property:	90% Coinsurance	11/10/2013
Building and personal property	1,585,000	
General Liability:		11/10/2013
Aggregate Limit -		
products/completed operations	2,000,000	
other than products/completed ops	2,000,000	
Personal and advertising injury	1,000,000	
Fire damage (per fire)	100,000	
Medical expense (per person)	5,000	
Commercial Auto:		11/10/2013
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Underinsured motorist	500,000	
Commercial Inland Marine:		11/10/2013
Acquired locations	250,000	
Newly purchased hardware	250,000	
Data processing	10,500	
Workmen's compensation:		11/10/2013
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		11/10/2013
Per loss	100,000	
Errors and Omissions		11/10/2013
Claim	1,000,000	
Aggregate	1,000,000	
Terrorism - Defined certified acts	varies	11/10/2013

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY

SCHEDULE OF FIXED ASSETS ADDITIONS AND RETIREMENTS

As of December 31, 2012

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
Rural water system	\$ 5,409,259	\$ 344,928	\$ -	\$ 5,754,187
Water towers	458,162			458,162
Standpipe and pumps	68,788			68,788
Booster station	415,452			415,452
Road improvements	3,500			3,500
Land	49,853			49,853
Equipment, furniture and fixtures	92,805			92,805
Building	142,211			142,211
Vehicles	<u>55,826</u>			<u>55,826</u>
	6,695,856	344,928	-	7,040,784
Less accumulated depreciation	<u>(2,679,526)</u>	<u>(200,876)</u>		<u>(2,880,402)</u>
Water system	<u>\$ 4,016,330</u>	<u>\$ 144,052</u>	<u>\$ -</u>	<u>\$ 4,160,382</u>

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY

BOARD MEMBERS AND OFFICERS

As of December 31, 2012

Chairman:	Kurt Look 626 N 1000 Rd Lawrence, KS 66047
Vice Chairman:	Dan Suchy 568 N 775 Rd Lawrence, KS 66047
Secretary/Treasurer:	Richard Rose 633 E 582 Rd Lawrence, KS 66047
Board Member:	Gordon Berry 530 N 955 Rd Lawrence, KS 66047
Board Member:	Dan Welch 817 N 900 Rd Lawrence, KS 66047
Board Member:	Amy Barnes 1063 N 1172 Rd Lawrence, KS 66047
Board Member:	Lizz Crist 173 E 550 Rd Lawrence, KS 66047

The notes to the financial statements are an integral part of this statement.